

29 September 2017

MiLOC Group Limited
(“MiLOC”, the “Group” or the “Company”)

Interim results for the six months ended 30 June 2017

CHIEF EXECUTIVE OFFICER’S STATEMENT

MiLOC Group Limited (NEX: ML.P), the pharmaceutical and healthcare group announces the results of the Company and its subsidiaries for the six month period ended 30 June 2017.

The nature of the Company’s operations and its principal activities are to act as the holding company of a group engaged in (i) the provision of Traditional Chinese Medicine (“TCM”) healthcare services, including consultations and TCM therapies, through a network of clinics in Hong Kong, and (ii) the sale and distribution of TCM healthcare and skincare products through wholesale outlets and TCM clinics, the Group’s retail store in Hong Kong and other non-related TCM retail outlets, as well as directly to customers through the Company’s online store.

This announcement contains inside information as defined in Article 7 of the Market Abuse Regulation No. 596/2014 and is disclosed in accordance with the Company's obligations under Article 17 of those Regulations.

Financial highlights

- Revenue for the six months ended 30 June 2017: HK\$7,222,843 (30 June 2016: HK\$4,933,206)
- Gross profit for the six months ended 30 June 2017: HK\$3,266,360 (30 June 2016: HK\$2,596,323)
- Loss for the six months ended 30 June 2017: HK\$4,112,418 (30 June 2016: HK\$4,062,313)
- The basic and diluted loss per share for the six months ended 30 June 2017: HK\$0.058 (30 June 2016: HK\$0.059)
- The Group’s cash position as at 30 June 2017: HK\$801,342 (30 June 2016: HK\$2,891,543)

(a) Income statement items

The Group's sales performance improved significantly in the first six months of 2017 compared to the same period in 2016. The Group’s revenue for the six months ended 30 June 2017 amounted to HK\$7.22 million, an increase of HK\$2.29 million or 46.4% as compared to the six months ended 30 June 2016. This was attributable to increased revenue generated from wholesale orders that increased by HK\$2.25 million. The wholesales business consists of health supplement products and TCM Plus skincare products. The Group’s gross profits and gross profit margin for the six months ended 30 June 2017 amounted to HK\$3.3 million and 54.8% (30 June 2016: HK\$2.6 million and 52.6%) respectively. The Group’s other revenue from management fee income for the six months ended 30 June 2017 amounted to HK\$127,422, a slight increase of 2.6% as compared to the six months ended 30 June 2016. The unaudited net loss for the period ended 30 June 2017 shows a slight increase of \$50,105 and 1% compared to the same period in 2016. This was due to the increase in distribution costs incurred by the Group during the period.

The Group’s administrative expenses for the six months ended 30 June 2017 amounted to HK\$5.7 million, a decrease of HK\$0.9 million or 13.5% as compared to the six months ended 30 June 2016. This was due to decrease in rent and rates of HK\$0.4 million and a decrease in legal and professional fees of HK\$0.6 million. The distribution costs for the six months ended 30 June 2017 amounted to

HK\$1.7 million, a significant increase of HK\$1.6 million or 1,242.4%, this was due to the HK\$1.572 million paid for 50% AKFS+ haircare products launch campaign to be held in the second half of the year.

The Directors do not recommend the payment of a dividend in respect of the period.

(b) Balance sheet items

The Group's tangible fixed assets mainly comprised of leasehold improvements and office equipment, the amount decreased by HK\$1.03 million as at 30 June 2017 compared to the same period in 2016 mainly due to the depreciation for leasehold improvement.

The Group's goodwill as at 30 June 2017 was valued at HK\$925,871 which represented a decrease of HK\$497,278 compared with HK\$1.42 Million as at 30 June 2016 due to a recognised impairment for goodwill of a subsidiary.

The Group's inventories as at 30 June 2017 amounted to HK\$7.13 million with an increase of HK\$3.88 million over the balance as at 30 June 2016, this was mainly due to the Company's purchase and storage of skincare products and haircare products to fulfil distributors' orders and samples.

Inventories mainly consisted of TCM and healthcare products purchased during in 2016 and 2017.

The Group's trade payables as at 30 June 2017 amounted to HK\$3.50 million with an increase of HK\$2.82 million over the balance as at 30 June 2016, this was mainly due to the Company's purchase of and storage of TCM skincare products in 2016 to fulfil distributors' orders.

The Group's cash and cash equivalents decreased by HK\$2.09 million as at 30 June 2017 compared to 30 June 2016, this was mainly due to more money spent on purchasing inventories.

Review of significant activities

The Group has, over the last few years, invested considerable time and expense in establishing itself and introducing the concept of TCM, medical products and healthcare to the wider public. The Board believes that the establishment of TCM Plus skincare products and haircare products will make a very substantial positive contribution to the Group's revenue and it has invested significantly in research and development of these products.

(a) Private Placings

During the first six months of 2017, the Group raised HK\$2.8 million through private placings. A significant proportion of the proceeds of these subscriptions (HK\$2.3m) have been applied towards the research, development and marketing of the TCM Plus skincare and haircare products while the balance has been applied towards working capital.

(b) Update on the Significant distribution agreement

In January 2016, MiLOC Pharmaceutical (HK) Limited ("MiLOC Pharmaceutical"), a subsidiary of the Company entered into a significant distribution agreement with a Taiwan based distributor relating to the marketing and distribution of the MiLOC Pharmaceutical's TCM PLUS skincare products in Taiwan. The Distributor has made good progress and we anticipate that all anticipated targets will be met by the end of this year. We are satisfied that all payments that are due to MiLOC Pharmaceutical from it under the Distribution Agreement will be met and we continue to look forward to a successful and profitable relationship with the Distributor.

(c) Update on the Significant Endorsement Agreement and Commission Agreement

On 1 July 2016, one of the Group's wholly owned subsidiaries MiLOC Pharmaceutical (HK) Limited, entered into agreements to collaborate and work together with Kwok Fu Shing also known as Aaron Kwok, a well-known and successful singer, dancer and actor in Asia ("the Artist"), with respect to the TCM hair care products, which contain traditional Chinese herbal ingredients ("the Products").

The proposed Chinese and English logos in respect of the Products have been confirmed by the Parties. The trademark was successfully registered in Hong Kong and Taiwan while other applications are still pending. The bottling design and ingredients of the Products have been finalised. Sample products have been provided to our potential distributors and a few distribution agreements for the various countries are finalising. The Company will also continue to pursue marketing activities and partnerships to ensure maximum media exposure of the products, which includes both online and offline marketing.

Post balance sheet events

Private Placings

The Company entered into the following placing agreements with a placing price of 28.5p per share and the placings completed on 31 July 2017 and a total of 941,421 new US\$0.001 ordinary shares were issued:

On 15 June 2017, agreed to issue 348,681 ordinary shares to raise approximately HK\$1,000,000 and agreed to issue 10,460 ordinary shares in lieu of fees for services to the Company.

On 5 July 2017, agreed to issue 172,015 ordinary shares to raise approximately HK\$500,000.

On 13 July 2017, agreed to issue 170,395 ordinary shares to raise approximately HK\$500,000.

On 19 July 2017, agreed to issue 171,712 ordinary shares to raise approximately HK\$500,000 and agreed to issue 68,158 ordinary shares to raise approximately HK\$200,000.

In addition, the Company entered into the following placing agreement and expected to be completed on or before 15 October 2017:

On 25 August 2017, Mr, Ivor Colin Shrago, a non-executive Director of the Company, entered into a placing agreement with the Company to issue 85,873 new US\$0.001 ordinary shares at a placing price of 28.5p per share to raise approximately HK\$250,000.

The proceeds from these placings will be used for general working capital purposes.

Outlook

TCM has become increasingly popular over the last few years, and its value either alongside or as a valid alternative to traditional western medicine increasingly recognised. The Company has, as a natural extension of its activities, expanded into skincare and haircare products applying TCM ingredients and it is actively promoting the TCM Fast-moving consumer goods ("FMCG") side of the business under the brand name of "TCM PLUS".

The TCM haircare product branding with Aaron Kwok is in progress and the Company will confirm the launch date in due course.

The Board is also looking at further means of promoting its products and is in negotiations in this respect

Our Board is at the same time actively exploring increases both in its outlets as well its channels for online and offline sales. It does anticipate a substantial increase in sales and profit over the coming years.

Finally, on behalf of the Board of Directors, I would like to extend our utmost appreciation to all our employees, partners, shareholders, customers, business associates and suppliers, for their continued support.

The Directors of the Company accept responsibility for the contents of this announcement.

Michael Ong
Chief Executive Officer

MiLOC Group Limited
Consolidated Statement of Comprehensive Income
For the six months ended 30 June 2017

	<i>The Group</i>		
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Audited</i>
	<i>6 months ended 30 June 2017</i>	<i>6 months ended 30 June 2016</i>	<i>Year ended 31 December 2016</i>
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
From continuing operations			
Revenue	7,222,843	4,933,206	10,889,218
Cost of sales	(3,956,483)	(2,336,883)	(5,043,268)
Gross profit	3,266,360	2,596,323	5,845,950
Other revenue	127,422	124,191	323,161
Distribution costs	(1,732,298)	(129,048)	(738,874)
Administrative expenses	(5,767,204)	(6,668,751)	(16,594,915)
Foreign exchange gains/(losses), net	(6,698)	14,972	14,972
Operating loss	(4,112,418)	(4,062,313)	(11,149,706)
Impairment for intangible asset and goodwill	-	-	(497,278)
Finance costs	-	-	158,086
Interest income	-	-	57
Loss before taxation	(4,112,418)	(4,062,313)	(11,488,841)
Taxation	-	-	-
Loss for the period/year	(4,112,418)	(4,062,313)	(11,488,841)
Other comprehensive income	-	-	-
Total comprehensive result for the period/year	(4,112,418)	(4,062,313)	(11,488,841)
Attributable to:			
Equity holders of the parent entity	(4,112,418)	(4,062,313)	(11,488,841)
Non-controlling interests	-	-	-
	(4,112,418)	(4,062,313)	(11,488,841)
Loss per share - from continuing operations (HK\$)			
Basic and diluted	(0.058)	(0.059)	(0.17)

Loss per share – from continuing operations

The calculation of basic loss per share is based on the consolidated loss attributable to the equity holders of the parent entity of HK\$4,112,418 (For the six months ended 30 June 2016: Loss of HK\$4,062,313; For the 12 months ended 31 December 2016: Loss of HK\$11,488,841) and the weighted average number of ordinary shares of 71,093,259 (For the six months ended 30 June 2016 weighted average number of ordinary shares of 68,448,550; For the 12 months ended 31 December 2016: 69,633,964) in issue during the period.

MiLOC Group Limited
Consolidated Statement of Financial Position
As at 30 June 2017

	<i>Unaudited</i> <i>As at 30 June</i> <i>2017</i> <i>HK\$</i>	<i>Unaudited</i> <i>As at 30</i> <i>June 2016</i> <i>HK\$</i>	<i>Audited</i> <i>As at 31</i> <i>December</i> <i>2016</i> <i>HK\$</i>
Assets			
<i>Non-current assets</i>			
Fixed assets	1,292,558	2,327,182	1,987,803
Other intangible assets	4,642,857	5,000,000	4,642,857
Goodwill	925,871	1,423,149	925,871
Deferred tax assets	-	-	-
	6,861,286	8,750,331	7,556,531
<i>Current assets</i>			
Inventories	7,134,936	3,256,724	7,923,958
Trade receivables	67,139	25,960	235,748
Other receivables and prepayments	727,948	997,905	899,173
Cash and cash equivalents	801,342	2,891,543	3,045,423
	8,731,365	7,172,132	12,104,302
Total assets	15,592,651	15,922,463	19,660,833
Equity and liabilities			
<i>Equity</i>			
Share capital	558,661	551,114	551,114
Share premium	56,157,739	53,364,885	53,364,884
Retained earnings	(54,256,278)	(42,717,332)	(50,143,860)
Total equity	2,460,122	11,198,667	3,772,138
Liabilities			
<i>Current liabilities</i>			
Trade payables	3,498,730	679,076	6,335,533
Other payables and accruals	2,636,519	1,933,354	2,555,882
Amount due to directors	2,111,366	2,111,366	2,111,366
	8,246,615	4,723,796	11,002,781
<i>Non-current liabilities</i>			
Borrowings	4,885,914	-	4,885,914
Total liabilities	13,132,529	4,723,796	15,888,695
Total equity and liabilities	15,592,651	15,922,463	19,660,833

The Group's consolidated financial statements for the six months ended 30 June 2016 and 2017 disclosed above have neither been audited nor reviewed by the Company's auditors.

The same accounting policies and methods of computation as included in the Group's consolidated financial statements for the year ended 31 December 2016 have been adopted in the preparation of the Group's unaudited consolidated financial statements for the six months ended 30 June 2017.

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